

CITY OF SUN VALLEY

Financial Statements

Year Ended September 30, 2019

CITY OF SUN VALLEY, IDAHO
Financial Statements
For the year ended September 30, 2019

Table of Contents

Independent Auditor's Report	1-2
Required Supplementary Information - Part I	
Management's Discussion and Analysis	3-8
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet	11-12
Statement of Revenues, Expenditures and Changes in Fund Balances	13-14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Notes to the Financial Statements	16-31
Required Supplementary Information - Part I	
General Fund Budgetary Comparison Schedules	32
Other Governmental Funds Budgetary Comparison Schedules	33-39
Public Employee Pension Information	40
Other Supplementary Information - Part II	
Bond - Future Principal and Interest Requirements	41
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of the General Purpose Financial Statements Performed in Accordance with Government Auditing Standards	42-43

WORKMAN & COMPANY

Office of
Accounting

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INDEPENDENT AUDITOR'S REPORT

December 20, 2019

To the City Council
City of Sun Valley, Idaho
Sun Valley, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Sun Valley, Idaho as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Sun Valley, Idaho's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Sun Valley, Idaho as of September 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report Continued—

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and pension information on pages 3–8 and 32–40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The management's discussion and analysis and budgetary comparison information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion for provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019, on our consideration of the City of Sun Valley, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Workman & Company

WORKMAN AND COMPANY
Certified Public Accountants
Twin Falls, Idaho



Mayor
Peter Hendricks

Council
Keith Saks
Council President
Michelle Griffith
Jane Conard
Brad Dufur

Management's Discussion and Analysis For the Year Ended September 30, 2019

This discussion and analysis is intended to provide an overview of the City's financial activities for the fiscal year ended Sept. 30, 2019 (FY2019) and should be read in conjunction with the Independent Auditors' Report and the Basic Financial Statements. It attempts to highlight the financial activities and position for the fiscal year ended September 30, 2019 and focuses on significant financial issues and resulting changes in financial position, specific issues related to funds, and economic factors currently affecting the City.

FINANCIAL HIGHLIGHTS

- The most significant highlight of fiscal 2019 was completion of the second year of our road reconstruction project. This was the largest construction year of our 4-year project, both in dollars and number of roads touched. Original work expected to be done in years 2 & 3 were combined into year 2 resulting in substantial work throughout the City.
- The City invested nearly \$150,000 in new fixed assets and nearly \$124,000 in capital improvements. A new patrol vehicle (\$53,000) and Fire Command vehicle (\$50,000), a state-of-the-art breath test instrument (\$10,000), a new radar trailer (\$7,000), and a new pick-up truck with a plow attachment for plowing pathways (\$28,000), were acquired in FY2019. Capital improvements included nearly \$45,000 invested in a complete overhaul of our 2 snow plows adding an additional 20 years to their useful life, the completion of the installation of a generator to provide back-up power to City Hall buildings and completion of the re-wiring project that began in FY2018, bringing both the administration and streets department buildings up to current electrical standards. Additionally, the City began design work for an upgrade to the administration/police interior spaces, which haven't seen an update since 1998.
- The total of all fund assets exceeded liabilities at the close of the fiscal year by \$11,642,409. Of that amount, \$6,791,330 (unrestricted net position) may be used to meet future obligations and programs. The City's Net Position (Revenues less Expenditures) increased by \$1,014,821 in fiscal year 2019. Overall Governmental revenues increased nearly 23%. This substantial increase was primarily due to the receipt of the first year of property taxes from the 2018 Bond levy. 2019 property tax receipts were essentially flat but local option tax revenue saw a 7% increase over 2018 levels. Expenses also increased as the City saw a jump in both the number and size of summer events following a winter with record setting snowfall. Departmental expenses were up 9% over 2018.
- The City continues to be on solid financial footing entering fiscal 2020. A continued strong local economy and building environment in FY2019 have generated favorable FY2020 revenue projections.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**CITY OF SUN VALLEY, IDAHO
MANAGEMENT DISCUSSION AND ANALYSIS**

Continued...

Government-wide Financial Statements

Government-wide financial statements provide both long-term and short-term information about the City's overall financial condition. Changes in the City's financial position may be measured over time by increases and decreases in the Statement of Net Position. Increases or decreases in Net Position serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Information on how the City's net position changed during the fiscal year is presented in the Statement of Activities.

Fund Financial Statements

Fund financial statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide financial statements. Fund financial statements include the statements for governmental and proprietary funds. The City maintains eight individual governmental funds: General Fund, Debt Service Fund, Fixed Asset Replacement Fund, Bond Construction Fund, Capital Improvement Fund, Workforce Housing Fund, Street and Path Fund and 1% Local Option Tax Fund. The City has no proprietary funds. The City approves a one-year budget for all funds. Budgetary comparison statements have been provided for all funds to show compliance with the FY19 budget.

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. Refer to Note 1 of the financial statements for more detailed information on the elements of the financial statements.

CONDENSED FINANCIAL INFORMATION

Condensed Statement of Net Position

A large component of the City's net position, \$ 4,851,079, reflects its investment in capital assets (e.g. land, infrastructure, buildings, equipment, and others), less any related debt outstanding that was needed to acquire or construct the assets. The City uses these capital assets to provide services to the citizens and businesses in the City; consequently, these net assets are not eligible for future spending.

The remaining portion of net assets, \$ 6,791,330, is unrestricted and can be used to finance government operations.

Table 1, which follows, presents the City's condensed statement of net position as of September 30, 2019, derived from the government-wide Statement of Net Position compared to September 30, 2018.

**CITY OF SUN VALLEY, IDAHO
MANAGEMENT DISCUSSION AND ANALYSIS**

Continued...

**Table 1: Comparison of Statement of Net Position
As of September 30, 2019 and 2018**

	2019	2018	Percentage Change
Current Assets	\$ 22,503,953	27,878,635	-23.88%
Capital Assets	14,149,025	7,410,999	47.62%
Total Assets	36,652,978	35,289,634	3.72%
Deferred Outflows	126,720	170,699	-34.71%
Current Liabilities	2,950,174	1,963,339	33.45%
Long Term Liabilities	17,811,804	18,715,780	-5.08%
Total Liabilities	20,761,978	20,679,119	0.40%
Deferred Inflows	4,375,311	4,153,626	5.07%
Net Position:			
Invested in Capital Assets			
net of related debt	4,851,079	5,319,275	-9.65%
Unrestricted	6,791,330	5,308,313	21.84%
Total Net Position	\$ 11,642,409	10,627,588	8.72%

Condensed Statement of Activities

Table 2, which follows, presents the City's condensed statement of activities for the fiscal year ended September 30, 2019 as derived from the government-wide Statement of Activities compared to September 30, 2018. Over time, increases and decreases in net position measure whether the City's financial position is improving or deteriorating. During the fiscal year, the net position of the governmental activities increased by \$1,014,821.

**CITY OF SUN VALLEY, IDAHO
MANAGEMENT DISCUSSION AND ANALYSIS**

Continued...

**Table 2: Condensed Statement of Activities
for Government Activities
Comparing Fiscal Year Ended September 30, 2019 with 2018**

	2019	2018	Percentage Change
Revenue:			
Program revenues			
Charges for services	\$ 75,964	\$ 20,607	72.87%
Capital grants /contributions	105,757	11,211	89.40%
	<u>181,721</u>	<u>31,818</u>	<u>82.49%</u>
General revenues			
Taxes	6,808,778	5,356,124	21.34%
Franchise, licenses, permits	528,642	589,228	-11.46%
Intergovernmental revenues	978,295	834,335	14.72%
Gain on sale of assets	0	148,764	#DIV/0!
Earnings on investments	530,755	238,966	54.98%
Miscellaneous	53,313	46,490	12.80%
Premium earned on bond funding	110,500		100.00%
Gain (Loss) on pension activities	(129,568)	26,287	120.29%
Total general revenues	<u>8,880,715</u>	<u>7,240,194</u>	<u>18.47%</u>
Total revenues	<u>9,062,436</u>	<u>7,272,012</u>	<u>19.76%</u>
Program expenses:			
General Government	2,581,305	2,520,747	2.35%
Community Development	466,962	392,199	16.01%
Public Safety	2,898,516	2,540,642	12.35%
Ketchum Rural Fire	18,611		100.00%
Streets	694,524	560,269	19.33%
Depreciation	376,838	312,597	17.05%
Interest, long-term debt	1,010,859	522,739	48.29%
Total program expenses	<u>8,047,615</u>	<u>6,849,193</u>	<u>14.89%</u>
Change in net position	<u>1,014,821</u>	<u>422,819</u>	<u>58.34%</u>
Beginning net position	<u>10,627,588</u>	<u>10,204,769</u>	<u>3.98%</u>
Ending net position	<u>\$ 11,642,409</u>	<u>\$ 10,627,588</u>	<u>8.72%</u>

**CITY OF SUN VALLEY, IDAHO
MANAGEMENT DISCUSSION AND ANALYSIS**

Continued...

CAPITAL ASSET AND LONG-TERM, ACTIVITY

Capital Asset Activity

At September 30, 2019, the City reported \$14,149,025 in capital assets for governmental activities net of accumulated depreciation.

Table 3 discloses the changes in capital assets during the current year.

Table 3: Changes in Capital Assets for Government Activities Fiscal Year Ended September 30, 2019				
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital Assets not being depreciated:</i>				
Land	\$ 191,149	\$	\$	\$ 191,149
Construction in progress	177,331	7,172,722		7,350,053
Total Capital Assets not being depreciated	368,480	7,172,722	0	7,541,202
<i>Capital Assets being depreciated:</i>				
Buildings and Improvements	2,870,233	46,705		2,916,938
Equipment & Vehicles	3,824,933	192,744	(125,213)	3,892,464
Roads & Infrastructure	18,292,932			18,292,932
Total Capital Assets being depreciated	24,988,098	239,449	(125,213)	25,102,334
Less: Accumulated Depreciation:				
Buildings and Improvements	1,676,703	69,144		1,745,847
Equipment	2,106,194	288,470	(116,376)	2,278,288
Roads & Infrastructure	14,162,682	307,694		14,470,376
Total Accumulated Depreciation	17,945,579	665,308	(116,376)	18,494,511
Governmental capital assets, net	\$ 7,410,999	\$ 6,746,863	\$ (8,837)	\$ 14,149,025

Long-term Debt Activity

See Note 2 subsection 9 and Note 9 of the financial statements for information on the City's long-term debt.

**CITY OF SUN VALLEY, IDAHO
MANAGEMENT DISCUSSION AND ANALYSIS**

Continued...

FUTURE ECONOMIC FACTORS

The City is primarily residential with a major destination resort located within its boundaries. Property tax revenue derived from current housing stock is stable. New construction activity has dropped slightly from the high level experienced in FY2018 but continues to add to the solid property tax base within the City.

Commercial activities within the City include lodging, retail, and restaurant businesses associated with the Sun Valley Resort. Although the majority of revenue collected by the City is based on property taxes, the additional revenue generated by the Local Option sales tax has provided a significant and growing contribution to the City's revenue base.

Idaho was one of the fastest growing states in the country in 2019 and that growth rippled into the local economy. Additional year-round events throughout the Wood River valley have served to level the seasonal economic peaks and valleys. Within the City, summer events have increased substantially from an average of 30 to nearly 50 events. That increase coupled with the increased attendance at these events, has led to improved Local Option Tax receipts that is expected to carry forward into FY2020.

REQUESTS FOR INFORMATION

Requests for information regarding City finances should be directed to:

Finance Manager/Treasurer
P.O. Box 416
Sun Valley, ID 83353
Telephone: (208) 622-4438

CITY OF SUN VALLEY, IDAHO
Statement of Net Position
at September 30, 2019

**Governmental
Activities**

ASSETS

Current Assets:

Cash and Deposits	\$ 18,069,560	
Taxes Receivable	4,200,877	
Due From Other Governments	233,516	
Total Current Assets		\$ 22,503,953

Capital Assets:

Land	191,149	
Construction in Progress	7,350,053	
Infrastructure	18,292,932	
Buildings and Improvements	2,916,938	
Vehicles and Equipment	3,892,464	
Totals	32,643,536	
Accumulated Deprecation	(18,494,511)	
Total Capital Assets		14,149,025

Total Assets

36,652,978

Deferred Outflows of Resources:

Deferred Outflows from Pension Activity	126,720
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LIABILITIES

Current Liabilities:

Accounts Payable	1,521,291	
Accrued Labor Payable	171,448	
Accrued Interest Payable	491,472	
Accrued Other Liabilities	64,675	
Current Portion Long-Term Debt	701,288	
Total Current Liabilities		2,950,174

Long-term Liabilities:

Long-Term Debt	15,844,976	
Unamortized Bond Premium	994,500	
Net Pension Liability	852,988	
Compensated Absences	119,340	
Total Long-Term Liabilities		17,811,804

Total Liabilities

20,761,978

Deferred Inflows of Resources:

Deferred Inflows from Pension Activities	391,117	
Deferred Inflows from Property Taxes	3,984,194	
Total Deferred Inflows of Resources:		4,375,311

NET POSITION

Invested in Capital Assets - net of related debt	4,851,079	
Unrestricted	6,791,330	
Total Net Position		\$ 11,642,409

The accompanying notes are a part of these financial statements.

CITY OF SUN VALLEY, IDAHO
Statement of Activities
For the Year Ended September 30, 2019

Activities:	Expenses	Program Revenues		Net (Expense) Revenues and
		Fees, Fines, and Charges for Services	Capital Grants and Contributions	Changes in Net Position
Governmental				
				Governmental Activities
General Government	\$ 2,581,305	\$ 75,964	\$ 0	\$ (2,505,341)
Community Development	466,962			(466,962)
Police	1,753,318		40,750	(1,712,568)
Fire	1,145,198		35,007	(1,110,191)
Ketchum Rual Fire District	18,611			(18,611)
Streets	694,524		30,000	(664,524)
*Unallocated Depreciation	376,838			(376,838)
Interest on Long-term Debt	1,010,859			(1,010,859)
Total Governmental Activities	\$ 8,047,615	\$ 75,964	\$ 105,757	(7,865,894)

General Revenues:

Property Taxes	4,002,622
Local Option Tax	2,806,156
Franchise, licenses, permits	528,642
Intergovernmental Revenues	978,295
Earnings on Investments	530,755
Miscellaneous	53,313
Gain (Loss) on Disposition of Assets	0
Premium Earned on Bonds Payable	110,500
Gain (Loss) on Pension Activities	(129,568)
Total general revenues and transfers	8,880,715
Changes in net assets	1,014,821
Net Position - Beginning	10,627,588
Net Position - Ending	\$ 11,642,409

* Unallocated depreciation excludes depreciation which is included in the direct program expense of various programs.

The accompanying notes are a part of these financial statements.

CITY OF SUN VALLEY, IDAHO
Balance Sheet
Governmental Funds
for the year ended September 30, 2019

	General Fund	Debt Service Fund	Fixed Asset Replacement Fund	Bond Construction Fund
ASSETS:				
Cash and Cash Deposits	\$ 6,794,883	\$ 5,583	\$ 7,916	\$ 8,734,290
Taxes Receivable	2,941,827	1,259,050		
Due From Other Governments	203,516			
Total Assets	<u>\$ 9,940,226</u>	<u>\$ 1,264,633</u>	<u>\$ 7,916</u>	<u>\$ 8,734,290</u>
LIABILITIES:				
Accounts Payable	\$ 1,521,291	\$	\$	
Accrued Labor and Taxes Payable	171,448			
Other Accrued Liabilities and Deposits Payable	64,675			
Total Liabilities	<u>1,757,414</u>	<u>0</u>	<u>0</u>	<u>0</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Tax Revenues	2,746,477	1,259,050		
Total Deferred Inflows of Resources	<u>2,746,477</u>	<u>1,259,050</u>	<u>0</u>	<u>0</u>
FUND BALANCE:				
Non-spendable				
Restricted				
Committed				
Assigned	1,271,633	5,583	7,916	8,734,290
Unassigned	4,164,702			
Total Fund Balance	<u>5,436,335</u>	<u>5,583</u>	<u>7,916</u>	<u>8,734,290</u>
Total Liabilities and Fund Balance	<u>\$ 9,940,226</u>	<u>\$ 1,264,633</u>	<u>\$ 7,916</u>	<u>\$ 8,734,290</u>

Amounts reported for governmental activities in the Statement of Net Position (page 9)
are different because:

Deferred Inflows and Outflows of Resources

Governmental fund capital assets are not financial resources and therefore are not reported in the funds.
The cost of assets is \$32,643,536 and the accumulated depreciation is \$ 18,494,511

Long-term liabilities, including bonds, compensated absences, and pension costs
are not payable in the current period and therefore are not reported in the governmental funds

Unavailable Tax Revenue is not reported in the Statement of Net Position

Net Position of Governmental Funds

The accompanying notes are a part of these financial statements.

Capital Improvement Fund	Workforce Housing Fund	Street and Path Fund	1% Local Option Tax Fund	Total Governmental Funds
\$ 633,344	\$ 693,325	\$ 1,169,872	\$ 30,347	\$ 18,069,560
		30,000		4,200,877
				233,516
<u>\$ 633,344</u>	<u>\$ 693,325</u>	<u>\$ 1,199,872</u>	<u>\$ 30,347</u>	<u>\$ 22,503,953</u>
\$	\$	\$	\$	\$ 1,521,291
				171,448
				64,675
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,757,414</u>
				4,005,527
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,005,527</u>
				0
				0
				0
633,344	693,325	1,199,872	30,347	12,576,310
				4,164,702
<u>633,344</u>	<u>693,325</u>	<u>1,199,872</u>	<u>30,347</u>	<u>16,741,012</u>
<u>\$ 633,344</u>	<u>\$ 693,325</u>	<u>\$ 1,199,872</u>	<u>\$ 30,347</u>	<u>\$ 22,503,953</u>
				(264,397)
				14,149,025
				(19,004,564)
				21,333
				<u>\$ 11,642,409</u>

The accompanying notes are a part of these financial statements.

CITY OF SUN VALLEY, IDAHO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
for the year ended September 30, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Fixed Asset Replacement Fund</u>	<u>Bond Construction Fund</u>
REVENUE:				
Property taxes	\$ 2,236,595	\$ 1,256,847	\$	\$
Local option taxes	2,054,697			
Franchises fees	165,515			
Licenses, permits, and fees	348,127			
Intergovernmental revenues	765,748			
Charges for services	57,279			
Fines and forfeitures	18,685			
Earnings on investments	163,340	329		367,086
Refunds and Reimbursements	143,291			
Donations	75,757			
Other Revenues	53,313			
	<u>6,082,347</u>	<u>1,257,176</u>	<u>0</u>	<u>367,086</u>
Total Revenue				
EXPENDITURES:				
General Government	1,713,296	500	50,482	
Community Development	456,703		7,457	
Police	1,716,224		52,933	
Fire	974,870		112,426	
Ketchum Rural Fire District	18,611			
Streets	632,412		27,798	7,178,978
Debt Service		1,254,644		
	<u>5,512,116</u>	<u>1,255,144</u>	<u>251,096</u>	<u>7,178,978</u>
Total Expenditures				
EXCESS REVENUE (EXPENDITURES)	570,231	2,032	(251,096)	(6,811,892)
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds			247,500	
Operating transfers (to) other funds	(247,500)			
NET CHANGE IN FUND BALANCES	322,731	2,032	(3,596)	(6,811,892)
FUND BALANCE - BEGINNING	5,113,604	3,551	11,512	15,546,182
FUND BALANCE - ENDING	\$ <u>5,436,335</u>	\$ <u>5,583</u>	\$ <u>7,916</u>	\$ <u>8,734,290</u>

The accompanying notes are a part of these financial statements.

<u>Capital Improvement Fund</u>	<u>Workforce Housing Fund</u>	<u>Street and Path Fund</u>	<u>1% Local Option Tax Fund</u>	<u>Total Governmental Funds</u>
\$ 507,710	\$	\$ 1,470	\$ 751,459	\$ 4,002,622
				2,806,156
				165,515
	15,000			363,127
		69,256		835,004
				57,279
				18,685
				530,755
				143,291
				75,757
		30,000		83,313
<u>507,710</u>	<u>15,000</u>	<u>100,726</u>	<u>751,459</u>	<u>9,081,504</u>
57,596	64,654		732,464	2,618,992
				464,160
				1,769,157
				1,087,296
				18,611
66,131				7,905,319
<u>123,727</u>	<u>64,654</u>	<u>0</u>	<u>732,464</u>	<u>15,118,179</u>
383,983	(49,654)	100,726	18,995	(6,036,675)
				247,500
				(247,500)
383,983	(49,654)	100,726	18,995	(6,036,675)
249,361	742,979	1,099,146	11,352	22,777,687
<u>\$ 633,344</u>	<u>\$ 693,325</u>	<u>\$ 1,199,872</u>	<u>\$ 30,347</u>	<u>\$ 16,741,012</u>

The accompanying notes are a part of these financial statements.

CITY OF SUN VALLEY, IDAHO
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
for the year ended September 30, 2019

Net Change in Fund Balance - Total Governmental Funds (Page 14)	\$ (6,036,675)
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Governmental funds report capital outlays as current year expenditures. In the Statement of Activities the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount of current capital outlay for new fixed assets.

This is the amount of current year depreciation.	(665,308)
--	-----------

This is the amount of new assets purchased in the Government Funds.	7,412,171
---	-----------

This is the change in amount of gain on disposal of Governmental Fund assets.	(8,837)
---	---------

Long term liabilities are not recorded in the Governmental funds. Principal and interest paid on capital debt are recorded as expenditures in the Governmental Funds. Principal amounts paid are not recorded as expenditures in the Statement of Net Position.

This is the amount of current year principal payments on capital debt.	357,818
--	---------

This is the change in accrued interest on long term debt.	5,850
---	-------

This is the premium earned on bond funding.	110,500
---	---------

This is the increase in compensated leave during the year.	(31,130)
--	----------

Gain (Loss) on Pension Activity	<u>(129,568)</u>
---------------------------------	------------------

Change in Net Position of Governmental Activities (Page 10)	\$ <u><u>1,014,821</u></u>
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The accompanying notes are a part of these financial statements.

**CITY OF SUN VALLEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sun Valley, Idaho (City) was chartered in 1947 under the laws of the State of Idaho. The City operates under a Mayor-Council form of government and provides the following services: public safety (police and fire), community development, building safety, streets, planning and zoning, and general administrative services to its citizens. The significant revenues and receivables are generated by the residents of the City of Sun Valley through property taxes.

The financial statements of the City of Sun Valley have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for established governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

1. Financial Reporting Entity

The City's financial statements include the accounts of all operations under the oversight authority of the City Council and those of separately administered organizations over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

2. Government-Wide and Fund Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the City as a whole excluding fiduciary activities such as employee pension plans. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns.

**CITY OF SUN VALLEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2019**

Continued...

3. Measurement Focus and Basis of Accounting

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report, using the economic resources measurement focus and the accrual basis of accounting, generally includes the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report, using the current financial resources measurement focus and the modified accrual basis of accounting, recognizes revenues when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City of Sun Valley uses an availability period of sixty days. Expenditures are recorded when the related liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include sales and use taxes, property taxes, and intergovernmental revenues. In general, other revenues are recognized when cash is received.

4. Fund Accounting

The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The City has adopted GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB 54) which defines how fund balances of the governmental funds are presented in the financial statements. There are five classifications of fund balances as presented below:

Non-spendable – These funds are not available for expenditures based on legal or contractual requirements. In this category, one would see inventory, long-term receivables, unless proceeds are restricted, committed, or assigned and legally or contractually required to be maintained intact (corpus or a permanent fund).

**CITY OF SUN VALLEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2019**

Continued...

Restricted – These funds are governed by externally enforceable restrictions. In this category, one would see restricted purpose grant funds, debt service or capital projects.

Committed – Fund balances in this category are limited by the governments' highest level of decision making. Any changes of designation must be done in the same manner that it was implemented and should occur prior to end of the fiscal year, though the exact amount may be determined subsequently.

Assigned – These funds are intended to be used for specific purposes, intent is expressed by governing body or an official delegated by the governing body.

Unassigned – This classification is the default for all funds that do not fit into the other categories. This, however, should not be a negative number for the general fund. If it is, the assigned fund balance must be adjusted.

Order of Use of Fund Balance – The City's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined.

GOVERNMENTAL FUNDS

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources not reported in another fund.

Debt Service Fund — This fund is used to account for the accumulation of financial resources for the payment of principal and interest on the City's governmental debt.

Fixed Asset Replacement Fund – This fund accounts for the acquisition, replacement, and improvements to vehicles and equipment.

Bond Construction Fund – This fund is used to account for the 2018 General Obligation Bond proceeds and expenditures.

Capital Improvement Fund – This fund accounts for the construction or acquisition of capital improvements or facilities.

Workforce Housing Fund – This fund is available to offer assistance to employees of the City that are "housing burdened", as determined by an outside agency (Blaine County Housing Authority). This fund is also to provide affordable housing for low-moderate income households whose income is derived from employment within Sun Valley, Idaho or, when found appropriate by the City, employed within Blaine County in the area commonly known as the North Valley, including the City of Ketchum and the area commonly known as River Run.

Street and Path Fund – This fund is used to account for the repairs, maintenance, and projects related to roads and streets within the City.

1% Local Option Tax Fund – This fund is used to account for the additional 1% local option tax monies collected for the Air Service Board transportation funding.

**CITY OF SUN VALLEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2019**

Continued...

5. Budgetary Data

The City of Sun Valley follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to September 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. After reviewing the preliminary budget, the City Council sets a public budget hearing to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally enacted through passage of an ordinance.

The budget is prepared on the modified accrual basis of accounting, as described above. The City does not use the encumbrance method of accounting.

6. Cash and Cash Equivalents

The City maintains and controls cash and investment pools which are shared by the primary government funds. Each fund's portion of a pool is displayed on its respective balance sheet.

For purposes of the Statement of Cash Flows, the enterprise funds consider cash and cash equivalents to include cash on hand and all amounts on deposit with financial institutions.

7. Inventory

Inventories in governmental funds are considered to be immaterial and are not reported.

8. Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with the cost of \$5,000 (\$10,000 for buildings and improvements) or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. The City has not, nor is required to retroactively report infrastructure assets. The City has capitalized all acquired infrastructure after October 1, 2003.

**CITY OF SUN VALLEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2019**

Continued...

Estimated useful lives, in years, for depreciable assets are as follows:

Building and Improvements	20-40
Equipment	5-7
Infrastructure	20
Trucks and Vehicles	7

9. Long-Term Debt

In 2018 the City of Sun Valley sold \$ 16,395,000 of General Obligation Bonds to improve the infrastructure of the City. These bonds will be repaid from the general revenues of the City. These bonds were sold at a premium that will be amortized over the life of the bonds.

Bond maturity and interest schedules of the issued bonds is contained in the schedule on page 41 of these financial statements.

Capital Lease Obligations: Assets and liabilities resulting from capital leases are recorded at lease inception. The principal portion of lease payments reduces the liability; the interest portion is expensed. Other financing sources and expenditures are recorded at lease inception. Lease payments are recorded as debt service expenditures. For budgetary purposes, lease payments are only reported as expenditures when paid.

10. Deferred Outflows/Inflows of Resources

In 2007, the Governmental Accounting Standards Board (GASB) released Concepts Statement No. 4 *Elements of Financial Statements* which provides a framework for determining the nature of financial accounting or reporting issues. Since the release of the framework, GASB has been looking at the assets and liabilities on the balance sheet to determine if they should continue to be reflected as such. GASB has concluded that, in order to improve financial reporting, there are assets and liabilities that no longer should be reflected as assets and liabilities. These changes are included in the recently-issued GASB Statement No. 65, *Items Previously Reported as Asset and Liabilities*.

These changes include two new items that are reflected on the Statement of Net Position.

- Deferred outflow of resources – the current *consumption* of net assets that is applicable to a *future* reporting period.
- Deferred inflows of resources – the current *acquisition* of net assets that is applicable to a *future* reporting period.

The City's financial statements may report a separate section for deferred inflows of resources which reflects an increase in resources that applies to a future period.

**CITY OF SUN VALLEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2019**

Continued...

11. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

12. Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 - CASH AND CASH EQUIVALENTS

Interest Rate Risk — The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk — The City has no investment policy which would further limit its investment choices beyond those stated in Idaho Code. The City's investment in the State Treasurer's Investment Pool is not currently rated. All deposits in the State Investment Pool are either FDIC insured or fully collateralized, with securities held in trust by the State Treasurer but not in the name of the City of Sun Valley.

Concentration of Credit Risk — The City places no limit on the amount to invest in any one issuer.

Custodial Credit Risk, Deposits — Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. The City's pooled and non-pooled deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year-end. There are three categories of credit risk that apply to the City's cash and investments:

- 1) Insured or collateralized for which the securities are held by the City or the City's agent in the City's name;
- 2) Uninsured and uncollateralized; or
- 3) Uninsured and unregistered for which the securities are held by the counter party or by its trust department or agent but not in the City's name. This category also includes repurchase agreements with no underlying securities.

**CITY OF SUN VALLEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2019**

Continued...

At year end, \$ 160,038 of the City's bank balances were exposed to custodial credit risk because it was uninsured by the FDIC.

Balances are held in each category as follows:

	Bank Balance Categories		
	1	2	3
Deposits	\$ 395,932	\$ 160,038	
State of Idaho LGIP			\$ 17,556,213
Investments			
Total Cash and Investments	\$ <u>395,932</u>	\$ <u>160,038</u>	\$ <u>17,556,213</u>

NOTE 3 - TAXES RECEIVABLE

Property taxes are levied in November of each year and recognized as revenue when the tax notices are printed. Taxes are due in two equal installments at December and June following the levy date. If payment is not received upon the due dates, a 2% penalty is charged, and taxes are classified as past due subject to 12% interest. Taxes receivable are stated at taxes levied less amounts collected and canceled. The City has not experienced any significant loss of delinquent taxes receivable in past years, and, therefore, does not consider it necessary to establish any allowance for uncollectible taxes receivable.

NOTE 4 – OTHER REVENUES

The City receives miscellaneous revenues throughout the year. In the current period the total of these revenues were as follows:

General Fund:

Reimbursements for fire services	\$ 50,345
Special Events Revenue	2,441
Other refunds and reimbursements	<u>527</u>
Total	\$ <u>53,313</u>

**CITY OF SUN VALLEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2019**

Continued...

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital Assets not being depreciated:</i>				
Land	\$ 191,149	\$	\$	\$ 191,149
Construction in progress	177,331	7,172,722		7,350,053
Total Capital Assets not being depreciated	368,480	7,172,722	0	7,541,202
<i>Capital Assets being depreciated:</i>				
Buildings and Improvements	2,870,233	46,705		2,916,938
Equipment & Vehicles	3,824,933	192,744	(125,213)	3,892,464
Roads & Infrastructure	18,292,932			18,292,932
Total Capital Assets being depreciated	24,988,098	239,449	(125,213)	25,102,334
<i>Less: Accumulated Depreciation:</i>				
Buildings and Improvements	1,676,703	69,144		1,745,847
Equipment	2,106,194	288,470	(116,376)	2,278,288
Roads & Infrastructure	14,162,682	307,694		14,470,376
Total Accumulated Depreciation	17,945,579	665,308	(116,376)	18,494,511
Governmental capital assets, net	\$ 7,410,999	\$ 6,746,863	\$ (8,837)	\$ 14,149,025
Depreciation expense was charged to functions/programs as follows:				
General Government				2,169
Public Protection				247,426
Community Development				7,457
Street				31,418
Unallocated				376,838
Total Depreciation Expense				\$ 665,308

NOTE 5 - VOUCHERS PAYABLE AND ACCRUED LIABILITIES

Vouchers payable and accrued expenses are stated at cost and are recognized liabilities for goods and services rendered to the City as of September 30.

**CITY OF SUN VALLEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2019**

Continued...

NOTE 6 - ACCRUED COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay for it. This amount is \$119,340.

NOTE 8 – INTERFUND TRANSFERS

The composition of interfund transfers as of September 30, 2019 is as follows:

Transfers To:	Transfers From:		
	General	1% Local Option Tax	Bond Construction
General		\$	\$
Fixed Assets			
Replacement	\$ 247,500		
Capital Improvement			
Street/Path			

NOTE 9 – LONG TERM DEBT

Capital Lease: The City has entered into lease agreement as lessee for financing the acquisition of equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future lease payments as of the date of inception.

	Equip Cost	2020	2021	2022	2023	Total
Governmental Activities						
(2) 2017 Ford Escape Vehicles						
Ford Credit	37,284	7,457	7,457	3,108		18,022
Less Interest 5.45%		(418)	(230)	0		(648)
Due Monthly						
	<u>37,284</u>	<u>7,039</u>	<u>7,227</u>	<u>3,108</u>	<u>0</u>	<u>17,374</u>
2013 Aerial Tower Fire Truck						
Oshkosh Capital	930,772	112,426	112,426	112,426	112,426	449,704
Less Interest 3.59%		(18,177)	(12,545)	(8,072)	(4,036)	(42,830)
Due 10/23						
	<u>930,772</u>	<u>94,249</u>	<u>99,881</u>	<u>104,354</u>	<u>108,390</u>	<u>406,874</u>
Total Capital Leases	\$ 968,056	\$ 101,288	\$ 107,108	\$ 107,462	\$ 108,390	\$ 424,248

**CITY OF SUN VALLEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2019**

Continued...

The City is obligated under several lease agreements for office equipment under operating leases. Operating leases do not give rise to property rights or purchase obligations, and therefore the results of the lease agreements are not reflected in the City's capital assets.

In 2018 the City sold general obligation bonds totaling \$16,395,000 at a premium of \$1,105,000 (the premium will be amortized over the life of the bond debt. The five year and subsequent maturities of this debt is as follows:

Fiscal Year	General Obligation Bonds, Series 2018	
	Interest	Principal
2020	\$ 655,296	\$ 600,000
2021	631,296	620,000
2022	600,296	650,000
2023	567,796	685,000
2024	533,546	720,000
2025-2029	2,090,230	4,180,000
2030-2034	1,102,176	5,160,000
2035-2037	236,045	3,520,000

The following table includes other long-term debt activity:

Description	Maturity Date	Interest Rate	Amount			Amount	Amount
			Outstanding	Additions	Reductions	Outstanding	Due
			9/30/2018			9/30/2019	1 Year
GENERAL FUND							
Bonds Payable:							
General Obligation							
Bonds 2018	9/15/2037	3%-5%	16,395,000		260,000	16,135,000	600,000
Other:							
Accrued Compensated Absences	N/A		88,208	31,131		119,339	
Total General Fund			<u>\$ 16,483,208</u>	<u>\$ 31,131</u>	<u>\$ 260,000</u>	<u>\$ 16,254,339</u>	<u>\$ 600,000</u>

CITY OF SUN VALLEY, IDAHO
Notes to the Financial Statements
September 30, 2019

-Continued

NOTE 10 – EMPLOYEE RETIREMENT PLAN

Plan Description

The City of Sun Valley contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age and highest average salary. Members become fully vested in their retirement benefits with five years of credited services (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of employer rate for general employees and 72% for police and firefighters. As of June 30, 2019, it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate, as a percent of covered payroll, is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. The City's contributions were \$ 292,226 for the year ended September 30, 2019.

CITY OF SUN VALLEY, IDAHO
Notes to the Financial Statements
September 30, 2019

-Continued

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At September 30, 2019, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2019, the City's proportion was 0.0661896 percent.

For the year ended September 30, 2019, the City recognized pension expense (revenue) of \$129,568. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 79,272	\$ 100,529
Changes in assumptions or other inputs	\$ 47,448	
Net difference between projected and actual earnings on pension plan investments		\$ 290,588
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	\$ (73,057)	
City's contributions subsequent to the measurement date	\$ 73,057	
Total	\$ 126,720	\$ 391,117

\$ 73,057 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2020.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2018 the beginning of the measurement period ended June 30, 2018 is 4.8 and 4.8 for the measurement period June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

CITY OF SUN VALLEY, IDAHO
Notes to the Financial Statements
September 30, 2019

-Continued

Year ended September 30, 2019:

2020	\$ (30,715)
2021	\$ (131,593)
2021	\$ (64,101)
2022	\$ (37,988)

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Salary inflation	3.75%
Investment rate of return	7.05%, net of investment expenses
Cost-of-living adjustments	1%

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed for the period July 1, 2013 through June 30, 2017 which reviewed all economic and demographic assumptions including mortality. The Total Pension Liability as of June 30, 2019 is based on the results of an actuarial valuation date of July 1, 2019.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF SUN VALLEY, IDAHO
Notes to the Financial Statements
September 30, 2019

-Continued

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets. The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2017.

Capital Market Assumptions

	<u>Expected Return</u>	<u>Expected Risk</u>	<u>Strategic Normal</u>	<u>Strategic Ranges</u>
Equities:			70%	66%-77%
Broad Domestic Equity	9.15%	19.00%	55%	50%-65%
International	9.25%	20.20%	15%	10%-20%
Fixed Income:	3.05%	3.75%	30%	23%-33%
Cash	2.25%	0.90%	0%	0%-5%
	<u>Expected Return</u>	<u>Expected Inflation</u>	<u>Expected Real Return</u>	<u>Expected Risk</u>
Total Fund				
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

* Expected arithmetic return net of fees and expenses

Actuarial Assumptions:

Assumed Inflation - Standard	3.25%
Deviation	
Portfolio Arithmetic Mean	2.00%
Return	8.42%
Portfolio Long-Term Expected	
Geometric Rate of Return	
Assumed Investment Expenses	7.50%
Long-Term Expected	
Geometric Rate of Return	
Net of Investment Expenses	<u>0.45%</u>
	7.05%

CITY OF SUN VALLEY, IDAHO
Notes to the Financial Statements
September 30, 2019

-Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.05%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.05%, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.05%) or 1-percentage-point higher (8.05%) than the current rate:

	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
Employer's proportionate share of the net pension liability (asset)	\$ 861,518	\$ 852,988	\$ 844,458

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov

Payables to the pension plan

At September 30, 2019, the City reported payables to the defined benefit pension plan of \$ 12,385 for legally required employer contributions and \$ 10,640 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

CITY OF SUN VALLEY, IDAHO
Notes to the Financial Statements
September 30, 2019

-Continued

NOTE 11 - INVESTMENT IN MOUNTAIN RIDES TRANSPORTATION AUTHORITY

The Mountain rides Transportation Authority is an Authority Board authorized pursuant to Idaho Code, Section 76-2328 to procure, establish, operate, maintain and plan for a multimodal public transportation system in and between the corporate limits of Sun Valley, Ketchum, Hailey and Bellevue and within Blaine County Idaho. The Authority receives its funding through federal and state grants, fares, and contributions from the cities in Blaine County as well as from Blaine County. The City's share of operating costs for the year ended September 30, 2018 was \$ 307,000. The Authority is governed by an independent Board comprised of representatives appointed by the Mayors of each city and the Board of the County commissioners, and one "Member-At-Large" appointed by the Board of the Authority.

NOTE 12 -RISK MANAGEMENT

A City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the City contracted with Idaho County Risk Management Program (ICRMP) for property, crime and fleet insurance and the State Insurance Fund for workman's compensation. Under the terms of the ICRMP policy, the City of Sun Valley's liability is limited to the amount of annual financial membership contributions, including a per occurrence deductible. There has been no significant reduction in insurance coverage in the current year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 13 – LITIGATION

The City, at the financial statement date, is not involved in any legal actions.

NOTE 14 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2019, there were no instances where expenditures exceeded appropriations in any of the funds.

NOTE 15 – SUBSEQUENT EVENTS

Subsequent events were evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued.

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF SUN VALLEY, IDAHO
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual -- General Fund
for the year ended September 30, 2019

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
	<u>Amounts</u>	<u>Amounts</u>	<u>Amounts</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUE:				
Property Taxes	\$ 2,191,198	\$ 2,191,198	\$ 2,236,595	\$ 45,397
Local Option Taxes	1,650,000	1,650,000	2,054,697	404,697
Franchise Fees	168,000	168,000	165,515	(2,485)
Licenses, Permits, and Fees	377,655	377,655	348,127	(29,528)
Intergovernmental Revenues	721,264	721,264	765,748	44,484
Charges for Services	28,500	28,500	57,279	28,779
Fines and Forfeitures	6,700	6,700	18,685	11,985
Interest Earnings	50,000	50,000	163,340	113,340
Donations	21,000	21,000	75,757	54,757
Refunds and Reimbursements	12,000	12,000	143,291	131,291
Other Revenues	20,000	20,000	53,313	33,313
Total Revenue	<u>5,246,317</u>	<u>5,246,317</u>	<u>6,082,347</u>	<u>836,030</u>
EXPENDITURES:				
General Government	1,951,541	1,951,541	1,713,296	238,245
Community Development	491,774	491,774	456,703	35,071
Police	1,699,262	1,699,262	1,716,224	(16,962)
Fire	1,037,940	1,037,940	974,870	63,070
Ketchum Rural Fire District	0	0	18,611	(18,611)
Streets	645,705	645,705	632,412	13,293
Total Expenditures	<u>5,826,222</u>	<u>5,826,222</u>	<u>5,512,116</u>	<u>314,106</u>
EXCESS REVENUE (EXPENDITURES)	(579,905)	(579,905)	570,231	1,150,136
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds				0
Operating transfers (to) other funds			(247,500)	(247,500)
NET CHANGE IN FUND BALANCES	(579,905)	(579,905)	322,731	902,636
FUND BALANCE - BEGINNING	<u>5,113,604</u>	<u>5,113,604</u>	<u>5,113,604</u>	<u>0</u>
FUND BALANCE - ENDING	<u>\$ 4,533,699</u>	<u>\$ 4,533,699</u>	<u>\$ 5,436,335</u>	<u>\$ 902,636</u>

CITY OF SUN VALLEY, IDAHO
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual -- Debt Service Fund
for the year ended September 30, 2019

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
	<u>Amounts</u>	<u>Amounts</u>	<u>Amounts</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUE:				
Property Taxes	\$ 1,254,646	\$ 1,254,646	\$ 1,256,847	\$ 2,201
Other Revenues	2,000	2,000	329	(1,671)
Total Revenue	1,256,646	1,256,646	1,257,176	530
EXPENDITURES:				
Debt Service	1,256,646	1,256,646	1,254,644	2,002
Others	0	0	500	(500)
Total Expenditures	1,256,646	1,256,646	1,255,144	1,502
EXCESS REVENUE (EXPENDITURES)	0	0	2,032	2,032
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds				0
Operating transfers (to) other funds				0
NET CHANGE IN FUND BALANCES	0	0	2,032	2,032
FUND BALANCE - BEGINNING	3,551	3,551	3,551	0
FUND BALANCE - ENDING	\$ 3,551	\$ 3,551	\$ 5,583	\$ 2,032

CITY OF SUN VALLEY, IDAHO
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual -- Fixed Asset Replacement Fund
for the year ended September 30, 2019

	<u>Budget</u>			Variance with Final Budget Positive (Negative)
	<u>Original Amounts</u>	<u>Final Amounts</u>	<u>Actual Amounts</u>	
REVENUE:				
Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Proceeds From Sale of Assets	0	0	0	0
Total Revenue	0	0	0	0
EXPENDITURES:				
Command Vehicle	50,407	50,407	50,482	(75)
Aerial Tower	112,426	112,426	112,426	0
Police Vehicle	54,000	54,000	52,933	1,067
Street Vehicle	32,000	32,000	27,798	4,202
Community Dev/Admin Vehicle	7,457	7,457	7,457	0
Fire Engine Pumper	575,000	575,000	0	575,000
Total Expenditures	831,290	831,290	251,096	580,194
EXCESS REVENUE (EXPENDITURES)	(831,290)	(831,290)	(251,096)	580,194
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds	822,150	822,150	247,500	(574,650)
Operating transfers (to) other funds				0
NET CHANGE IN FUND BALANCES	(9,140)	(9,140)	(3,596)	5,544
FUND BALANCE - BEGINNING	11,512	11,512	11,512	0
FUND BALANCE - ENDING	\$ 2,372	\$ 2,372	\$ 7,916	\$ 5,544

CITY OF SUN VALLEY, IDAHO
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual -- Bond Construction Fund
for the year ended September 30, 2019

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
	<u>Amounts</u>	<u>Amounts</u>	<u>Amounts</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUE:				
Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Other Revenues	<u>130,000</u>	<u>130,000</u>	<u>367,086</u>	<u>237,086</u>
Total Revenue	<u>130,000</u>	<u>130,000</u>	<u>367,086</u>	<u>237,086</u>
EXPENDITURES:				
Expenditures	7,918,500	7,918,500	7,178,978	739,522
Others	<u> </u>	<u> </u>	<u> </u>	<u>0</u>
Total Expenditures	<u>7,918,500</u>	<u>7,918,500</u>	<u>7,178,978</u>	<u>739,522</u>
EXCESS REVENUE (EXPENDITURES)	(7,788,500)	(7,788,500)	(6,811,892)	976,608
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds				0
Operating transfers (to) other funds	<u> </u>	<u> </u>	<u> </u>	<u>0</u>
NET CHANGE IN FUND BALANCES	(7,788,500)	(7,788,500)	(6,811,892)	976,608
FUND BALANCE - BEGINNING	<u>15,546,182</u>	<u>15,546,182</u>	<u>15,546,182</u>	<u>0</u>
FUND BALANCE - ENDING	<u>\$ 7,757,682</u>	<u>\$ 7,757,682</u>	<u>\$ 8,734,290</u>	<u>\$ 976,608</u>

CITY OF SUN VALLEY, IDAHO
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual -- Capital Improvement Fund
for the year ended September 30, 2019

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
	<u>Amounts</u>	<u>Amounts</u>	<u>Amounts</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUE:				
Property Tax	\$ 545,300	\$ 545,300	\$ 507,710	\$ (37,590)
Other Revenues				0
Total Revenue	<u>545,300</u>	<u>545,300</u>	<u>507,710</u>	<u>(37,590)</u>
EXPENDITURES:				
Capital Outlay	368,000	368,000	123,727	244,273
Others				0
Total Expenditures	<u>368,000</u>	<u>368,000</u>	<u>123,727</u>	<u>244,273</u>
EXCESS REVENUE (EXPENDITURES)	177,300	177,300	383,983	206,683
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds	129,989	129,989		(129,989)
Operating transfers (to) other funds				0
NET CHANGE IN FUND BALANCES	307,289	307,289	383,983	76,694
FUND BALANCE - BEGINNING	<u>249,361</u>	<u>249,361</u>	<u>249,361</u>	<u>0</u>
FUND BALANCE - ENDING	<u>\$ 556,650</u>	<u>\$ 556,650</u>	<u>\$ 633,344</u>	<u>\$ 76,694</u>

CITY OF SUN VALLEY, IDAHO
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual -- Workforce Housing Fund
for the year ended September 30, 2019

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
	<u>Amounts</u>	<u>Amounts</u>	<u>Amounts</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUE:				
Charges for Services	\$	\$	\$	\$ 0
Proceeds From Sale of Assets				0
In-Lieu Housing Fees	0	0	15,000	15,000
Total Revenue	0	0	15,000	15,000
EXPENDITURES:				
Workforce Housing Projects	80,709	80,709	64,654	16,055
Others				0
Total Expenditures	80,709	80,709	64,654	16,055
EXCESS REVENUE (EXPENDITURES)	(80,709)	(80,709)	(49,654)	31,055
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds				0
Operating transfers (to) other funds				0
NET CHANGE IN FUND BALANCES	(80,709)	(80,709)	(49,654)	31,055
FUND BALANCE - BEGINNING	742,979	742,979	742,979	0
FUND BALANCE - ENDING	\$ 662,270	\$ 662,270	\$ 693,325	\$ 31,055

CITY OF SUN VALLEY, IDAHO
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual -- Street and Path Fund
for the year ended September 30, 2019

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
	<u>Amounts</u>	<u>Amounts</u>	<u>Amounts</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUE:				
Property Taxes	\$ 0	\$ 0	\$ 1,470	\$ 1,470
Intergovernmental	67,289	67,289	69,256	1,967
Other Revenues	0	0	30,000	30,000
Total Revenue	<u>67,289</u>	<u>67,289</u>	<u>100,726</u>	<u>33,437</u>
EXPENDITURES:				
Road and Path Maintenance	137,806	137,806	0	137,806
Others				0
Total Expenditures	<u>137,806</u>	<u>137,806</u>	<u>0</u>	<u>137,806</u>
EXCESS REVENUE (EXPENDITURES)	(70,517)	(70,517)	100,726	171,243
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds				0
Operating transfers (to) other funds				0
NET CHANGE IN FUND BALANCES	(70,517)	(70,517)	100,726	171,243
FUND BALANCE - BEGINNING	<u>1,099,146</u>	<u>1,099,146</u>	<u>1,099,146</u>	<u>0</u>
FUND BALANCE - ENDING	<u>\$ 1,028,629</u>	<u>\$ 1,028,629</u>	<u>\$ 1,199,872</u>	<u>\$ 171,243</u>

CITY OF SUN VALLEY, IDAHO
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual -- 1% Local Option Tax Fund
for the year ended September 30, 2019

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Amounts</u>	<u>Final Amounts</u>		
REVENUE:				
Local Option Tax	\$ 633,747	\$ 633,747	\$ 751,459	\$ 117,712
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenue	<u>633,747</u>	<u>633,747</u>	<u>751,459</u>	<u>117,712</u>
EXPENDITURES:				
Air Service	625,829	625,829	732,464	(106,635)
Others	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>625,829</u>	<u>625,829</u>	<u>732,464</u>	<u>(106,635)</u>
EXCESS REVENUE (EXPENDITURES)	7,918	7,918	18,995	11,077
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds				0
Operating transfers (to) other funds	<u>(7,918)</u>	<u>(7,918)</u>	<u>0</u>	<u>7,918</u>
NET CHANGE IN FUND BALANCES	0	0	18,995	18,995
FUND BALANCE - BEGINNING	<u>11,352</u>	<u>11,352</u>	<u>11,352</u>	<u>0</u>
FUND BALANCE - ENDING	<u>\$ 11,352</u>	<u>\$ 11,352</u>	<u>\$ 30,347</u>	<u>\$ 18,995</u>

CITY OF SUN VALLEY, IDAHO
PUBLIC EMPLOYEE PENSION INFORMATION
For the year ended September 30, 2019

Required Supplementary Information

Schedule of Employer's Share of Net Pension Liability
PERSI - Base Plan
Last 10 - Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's portion of the net pension liability	0747270%	0661896%	0651646%	0687725%	0625135%
Employer's proportionate share of the net pension liability	\$ 852,988	\$ 976,308	\$ 1,024,276	\$ 1,394,124	\$ 823,201
Employer's covered-employee payroll	\$ 2,536,586	\$ 2,186,146	\$ 1,963,380	\$ 1,991,260	\$ 1,744,820
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	33.63%	44.66%	52.17%	70.01%	47.18%
Plan fiduciary net position as a percentage of the total pension liability	93.79%	91.69%	90.68%	87.26%	91.38%

* GASB Statement No. 68 required ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available

Data reported is measured as of June 30, 2019

Schedule of Employer's Contributions
PERSI - Base Plan
Last 10 - Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 292,226	\$ 251,717	\$ 227,816	\$ 204,435	\$ 204,483
Contributions in relation to the statutorily required contribution	\$ (292,226)	\$ (251,717)	\$ 227,816	\$ (219,689)	\$ (210,226)
Contribution (deficiency) excess	\$ 0	\$ 0	\$ 0	\$ 15,254	\$ 5,743
Employer's covered-employee payroll	\$ 2,536,586	\$ 2,186,146	\$ 1,963,380	\$ 1,991,260	\$ 1,744,820
Contributions as a percentage of covered-employee payroll	11.52%	11.51%	11.60%	10.27%	11.72%

**OTHER
SUPPLEMENTARY INFORMATION**

CITY OF SUN VALLEY, IDAHO
Loan-Future Principal and Interest Requirements
at September 30, 2019

Annual Payment

	<u>Interest Rate</u>	<u>Fiscal Year</u>	<u>Principal Payment</u>	<u>Interest Payment</u>
General Obligation Bonds, Series 2018				
\$16,395,000, March 15, 2018				
3.00% - 5.00%				
	4.000%	2020	\$ 600,000	\$ 655,296
	5.000%	2021	620,000	631,297
	5.000%	2022	650,000	600,296
	5.000%	2023	685,000	567,796
	5.000%	2024	720,000	533,546
	5.000%	2025	755,000	497,546
	5.000%	2026	795,000	459,796
	5.000%	2027	835,000	420,046
	5.000%	2028	875,000	378,296
	5.000%	2029	920,000	334,546
	3.375%	2030	965,000	288,546
	3.500%	2031	995,000	255,978
	3.500%	2032	1,030,000	221,152
	3.150%	2033	1,070,000	185,102
	3.200%	2034	1,100,000	151,398
	3.250%	2035	1,135,000	116,196
	3.300%	2036	1,175,000	79,310
	3.350%	2037	<u>1,210,000</u>	<u>40,538</u>
			<u>\$ 16,135,000</u>	<u>\$ 6,416,681</u>

The accompanying notes are a part of these financial statements.

WORKMAN & COMPANY

Office of
Accounting

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

December 20, 2019

To the City Council
City of Sun Valley, Idaho
Sun Valley, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Sun Valley, Idaho (City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 20, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Report Continued—

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Workman & Company

WORKMAN AND COMPANY
Certified Public Accountants
Twin Falls, Idaho